



FOCUS 2024 – ABI presentation

Agenda

1. RTBF
2. Health working lives
3. Terminal illness
4. Access to health information for underwriting and claims
5. Minimum Standards for Critical Illness Cover
6. Consumer Duty
7. General Election
8. Q&A

Right to be Forgotten

- 2021, the European Commission (EC) presented its **Europe's Beating Cancer Plan**: "(...) because of their medical history, many cancer survivors in long-term remission often experience unfair treatment in accessing financial services. They often face prohibitively high premiums, although they have been cured for many years, even decades."
- Following this, the European Commission has called for the development of a **Code of Conduct** on fair access to financial services for cancer survivors.
- Initially, the Commission has been particularly focused on access to insurance **products that are linked to credit, loan agreements, and mortgages.**
- Deloitte is facilitating ongoing roundtables with stakeholders to develop a Code of Conduct, Insurance Europe are at the table.
- **National legislation** In December, the Italian Senate passed a Right to be Forgotten of ten years for cancer survivors applying for mortgages, banking, and insurance products. Earlier in June, Spain passed into law a Right to be Forgotten when contracting insurance and banking products for cancer survivors five years after the end of treatment without subsequent relapse.



Healthy Working Lives

- In 2021, over 1.6 million people used the health services available to them through health and protection insurance. These customers used the services 5.5 million times in total.
- Our analysis of 16,000 vocational rehabilitation cases found that nearly 9 in 10 (86%) of people remained in the workforce following access to rehabilitation through insurance.

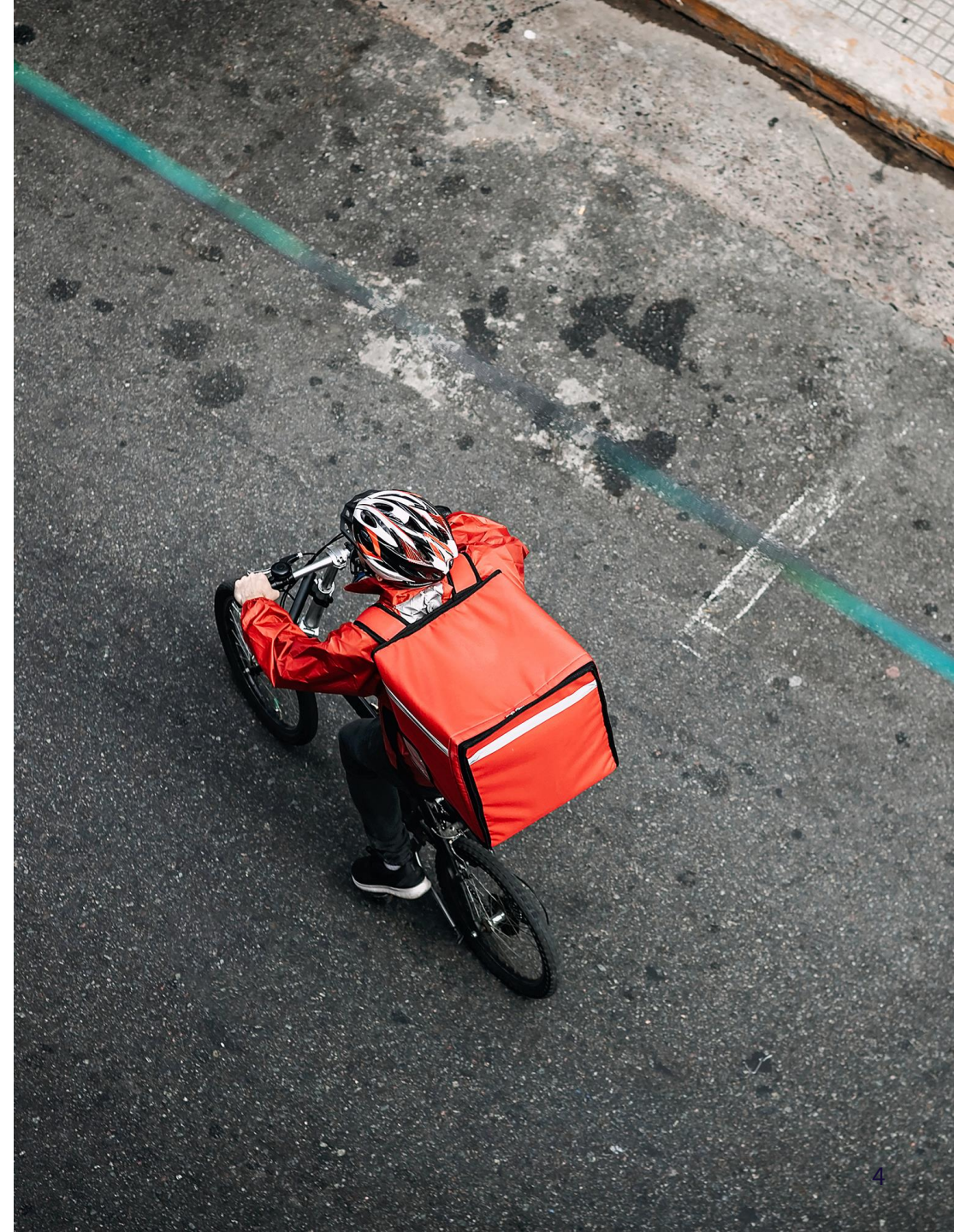
Commissioned by the ABI, WPI Economics found that this:

- Increased labour supply by an equivalent of 12,500 FTE workers
- Reduced sickness absence by around 14 million days

Overall this leads to **benefits equivalent to £6.1 billion.**

- Benefits to business amounting to **£2.6 billion** due to reduced output associated with sickness absence days.
- The wider economy benefited from **fewer people being economically inactive to the sum of £2 billion.**
- Fiscal benefits to the Exchequer of **£1.5** come through higher tax receipts and reduced benefits spend.

Additionally, WPI estimated **savings to the NHS at £1 billion per year** – money that could be reinvested in improved health and social care.



Terminal Illness

The Financial Conduct Authority (FCA) in October 2023 published a review of the handling of terminal illness benefits by life insurance companies. The findings from that review did, to quote: "not suggest firms are routinely delivering poor customer outcomes for terminal illness benefits."

The FCA assessed insurers' own claims statistics, aggregated industry data (sourced from the ABI) and had discussions with industry stakeholders. From this, the FCA, to quote their review: "did not see evidence of significant numbers of declined terminal illness claims. In addition, reported terminal illness claims acceptance rates appear[d] to be within the range of other life industry products."

With that said, the review points to a number of areas where we can still improve as an industry. We are looking into those areas with our members and will meet with industry stakeholders and medical professionals to better understand the issues and develop solutions.

Challenges Faced by Terminal Illness Insurance Providers

- **Definition:** Terminal Illness (TI) insurance provides a lump sum to customers with a terminal diagnosis.
- **Criticisms:** Negative perceptions on consumer understanding and insurer handling.
- **Challenge:** Difficulty in confidently diagnosing illnesses leading to death within a specified period (typically 12 months).
- **Diagnosis Dilemma,** most TI claims are for cancer, and challenges arise in predicting life expectancy, especially with active treatment.
- **Anecdotal Issues and reputational risks,** broader concerns within the broker community regarding difficulties at the claims stage. Continuous discussions and critique in the trade press, blaming insurers for not paying out on TI claims.
- **It is worth noting that the Government is also using the 12-month criteria:** To support people nearing the end of their lives, DWP made changes which mean that people with less than 12 months to live can now use special rules to claim: Universal Credit, Employment and Support Allowance, Personal Independence Payment, Disability Living Allowance, and Attendance Allowance.

Access to health information for underwriting and claims

There have been recent strides towards patient empowerment through data.

- With over **4 in 5 GP practices now giving patients access to their health records online**, patients are starting to be able to play a more active role in managing their health and care.
- In **October 2023 more than nine million patients viewed their health records through the NHS App**.

Patient empowerment can and should go further.

- Current processes to facilitate the transfer of health information to third parties are **outdated and this can have challenging consequences**.
- Between 2021 and 2022 **10-21% of medical reports from GPs to insurers took over 2 months to return**. Medical reporting software can **improve turnaround time with only 2-5% taking over 2 months to return**.
- Delays to insurance applications **disproportionately affect people with pre-existing medical conditions**.



Minimum Standards for Critical Illness Cover

The ABI's objective is to ensure that the ABI Guide to Minimum Standards for Critical Illness Cover can continue to provide value to customers in the current regulatory environment.

In September 2022, the Alzheimer's disease, Cancer, and Heart Attack definitions were updated, and in April 2023 clarifications were made to the GIST cancer classification and Myocardial Injury exclusion.

The updated guide can be found [here](#).

As per the Standards, "(...)full reviews will normally be carried out within 3 years of the implementation date of the preceding review, unless the ABI decides that a particular full review should be deferred by up to 1 year. The date of the next full review will always be stated in the current version of this Guide. The next full review is to take place in 2025."

The normal **review procedure** is that the ABI-member Working Group discusses all model wordings and agrees on those conditions that require a review. The main factors driving a review include:

- **Changes to medical science / practices** (e.g. are definitions using up to date terminology and reflecting current medical protocols?).
- **Addressing issues / problems experienced by claim assessors** (e.g. uncertainty of claim validity based on definition wording, inconsistent decision making).
- **Ensuring the definitions provide consumers with a reasonable expectation of a successful claim** (e.g. making sure thresholds align with available medical evidence / protocols and that scope of cover and definitions are clear and unambiguous).
- **Ensuring CI products remain sustainable** (e.g. reviewing 'severity thresholds', claims can be supported by 'objective evidence', evolving diagnostic / screening techniques giving rise to increasing trend of low severity claims).

Consumer Duty – The Basics

The FCA's aim is to **fundamentally improve how firms serve consumers** by setting higher and clearer standards of consumer protection across financial services. The new overarching principle that will be introduced is as follows:

Principle 12: *A firm must act to deliver good outcomes for retail customers.*

That Principle is supported by the new cross-cutting rules:

- A firm must act in good faith towards retail customers.
- A firm must enable and support retail customers to pursue their financial objectives.
- A firm must avoid causing foreseeable harm to retail customers.

Below those sit the four outcomes with their associated suite of rules and guidance:

- Products and services
- Price and value
- Consumer understanding
- Consumer support

- On 27 July 2023 the FCA published its Consumer Duty [Policy Statement](#) including finalised rules and [non-Handbook guidance](#).
- The ABI has publicly welcomed the introduction of the Consumer Duty, which will continue to build on the good practice already undertaken by insurers and long-term savings providers.
- We are particularly pleased that the FCA listened to our suggestion to extend the implementation period, particularly for legacy products, as this will enable firms to roll out the changes in a way that supports consumers more effectively.
- The final rules are largely in line with what was consulted on, but with some new features and deadlines.
 - ~~End Oct 22 – firms to agree implementation plans~~
 - ~~End Apr 23 – firms to complete open product reviews~~
 - ~~End Jul 23 – Duty comes into force for open policies~~
 - End Jul 24 – Duty extended to closed products

Consumer Duty and the ABI

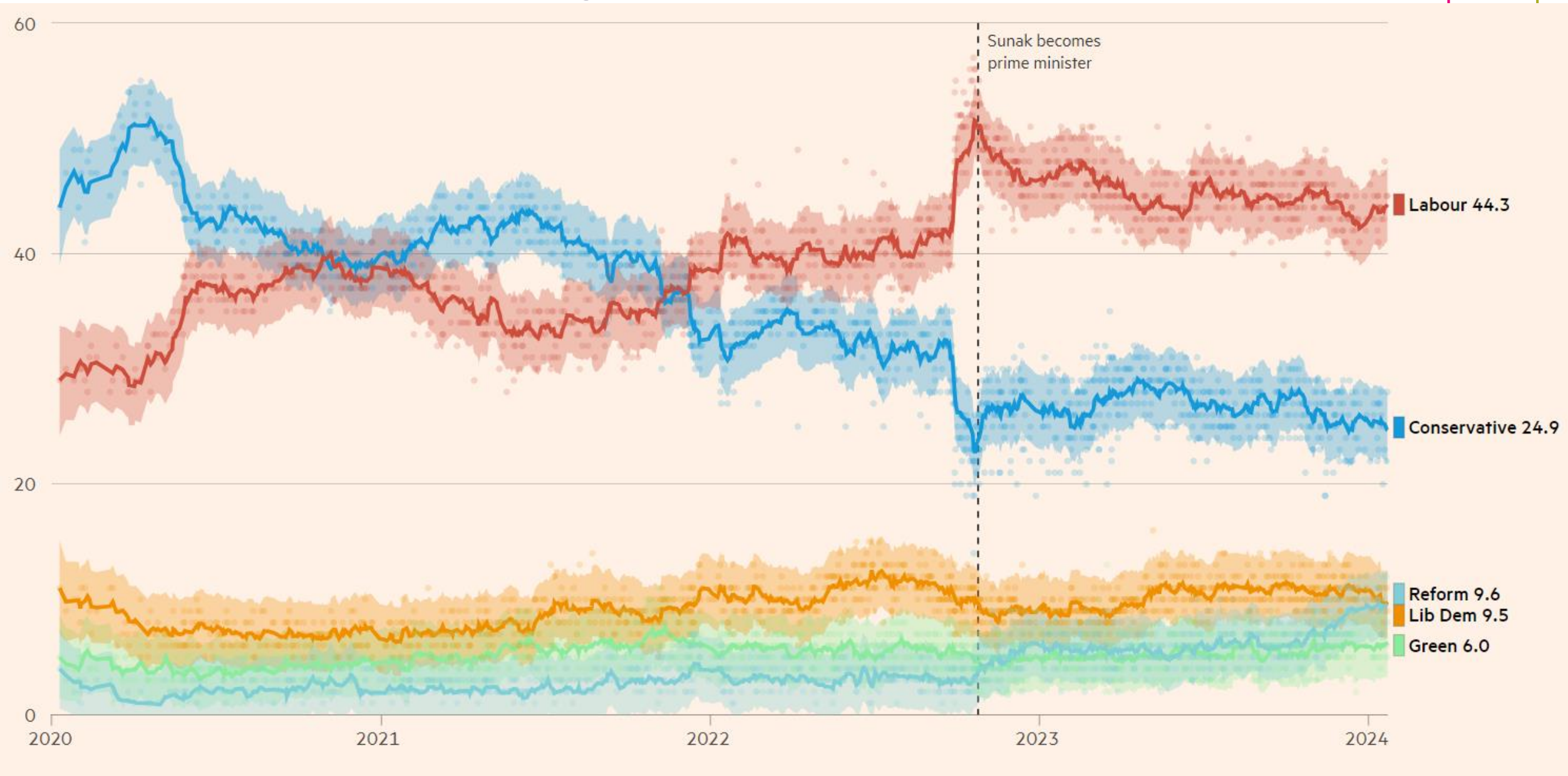
- We host a monthly virtual Consumer Duty Forum open to all ABI members to discuss latest developments and issues of common interest around the Consumer Duty.
- Delivery of good customer outcomes is relevant to many hot topics, so most issues have a Consumer Duty angle.
- The Consumer Duty builds on treating customers fairly by raising the bar to working to deliver good outcomes for customers. Some existing products and industry practices will come under fresh scrutiny because of the Duty, but it is also an opportunity to demonstrate that serving the customer well is at the heart of our business.
- We have supported our members throughout this process. This includes the ABI Board, our interactions with the FCA and the FOS, our annual conference, other events for members, and through the member working group.
- FCA supervisory work and FOS adjudications will also shape how the Duty operates in practice. Q1 2024 will include a breakout session at the Annual Conference and Q2 will see a FOS roundtable for members (date to be confirmed).



There's going to be an election (probably)

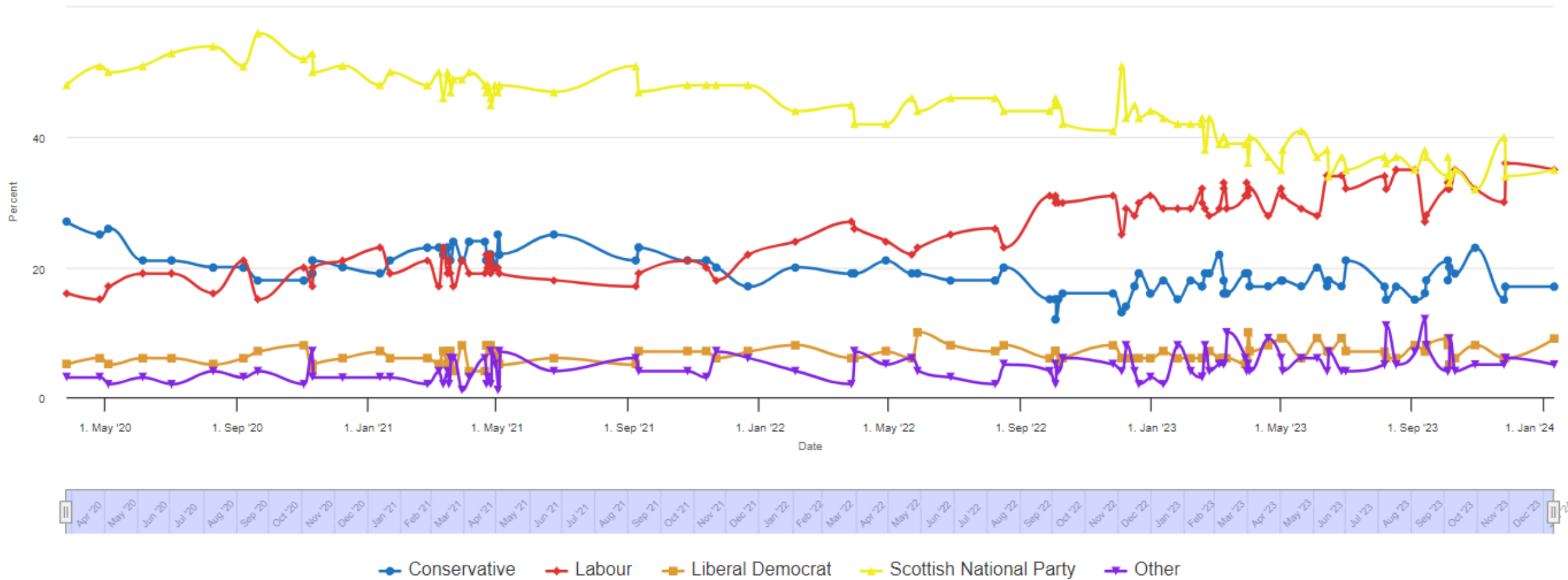


Financial Times UK polling tracker



What Scotland Thinks

26/03/2020 → 11/01/2024



What the ABI is calling for



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Q&A

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Thank you